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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF PACIFICORP DBA ROCKY MOUNTAIN POWER FOR AN INCREASE TO THE SCHEDULE 191 CUSTOMER EFFICIENCY SERVICES RATE ADJUSTMENT AND ENHANCEMENT TO ENERGY EFFICIENCY PROGRAMS FOR COMMERCIAL, INDUSTRIAL, AGRICULTURAL AND RESIDENTIAL CUSTOMERS.	**CASE NO. PAC-E-08-1** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on February 28, 2008 in Case No. PAC-E-08-1, submits the following comments.

BACKGROUND

On February 14, 2008, PacifiCorp dba Rocky Mountain Power (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to: (1) adjust the collection rate of the existing demand side management (DSM) cost recovery mechanism (Schedule 191) from 1.5% to 3.72% of retail revenue; (2) add a new energy efficiency program for commercial and industrial customers; and (3) change existing programs for business and residential customers to improve program performance. The Company originally proposed an April 1, 2008, effective date. Due to a customer notification problem, Staff requested that the Company modify its requested effective date and on February 19, 2008, the Company complied by modifying its Application for a May 1, 2008 effective date.

PROPOSED RATE INCREASE

Schedule No. 191 – Customer Efficiency Services Rate Adjustment

The Application proposes to increase the collection rate for Schedule No. 191 from 1.5% to 3.72% of retail revenue for an increase of 2.22% to total rates. The 1.5% rate is sufficient to fund about $2.0 million of energy efficiency programs each year. The proposed 3.72% rate is expected to collect about $4.9 million per year ($9.7 million over two years) and is designed to fund projected program activity for 2008 and 2009 and retire the current back balance of $349,000 by the end of 2009.

Schedule No. 191's balancing account has not funded, and is not yet proposed to fund, customer incentive payments in the irrigation load control program (Schedules 72 and 72A). The incentive payments in this program for 2006 and 2007 combined were $2.7 million and are expected to increase to $3.9 million in 2008 and to $5.6 million in 2009. These annual credit amounts are includable as power supply costs in the Company's base rates. Equipment and administrative costs for this program, totaling $1.2 million for 2006-2007, are expected to increase to $4.0 million total for 2008-2009 and will continue to be recovered from Schedule 191's balancing account in addition to the expected total of $5.4 million for all other programs over this two-year period.

The Application specifically does not propose changing or addressing such issues as account balance administration or prudence review of programs. These issues are intended to be addressed during general rate cases as outlined in Order No. 29976.

The Company has informed Staff that with this rate increase and the proposed program changes and additions, it intends to pursue all cost-effective energy efficiency and demand response programs regardless of the Schedule 191 account balance. If and when the account balance is in or approaching a deficit, the Company will ask for an additional Schedule 191 rate increase, but it will not let an existing or approaching deficit deter its program activity.

DESCRIPTION OF REVISIONS TO EXISTING PROGRAMS

Schedule No. 118 – Home Energy Savings

The Home Energy Savings program has been offered since May 31, 2006, and provides incentives for more efficient residential products and services for new and existing homes. The program's equipment categories include appliances, lighting, heating, cooling, insulation and windows, and services such as duct sealing and air conditioning equipment tune-ups. The program's web site is www.homeenergysavings.net/idaho/home and provides information such as incentive levels and eligible equipment specifications. PacifiCorp says it is changing the program to increase participation and to better align incentive levels with Idaho markets for the following measures: washing machines, dishwashers, water heaters, lighting, evaporative cooling, insulation and heat pumps. The specific program changes are listed on page 8 of the Application. These changes do not require tariff changes and it is not necessary for the Commission to approve them.

PacifiCorp's expenses for this program totaled to about $332,000 for 2006-2007 and they are expected to increase to about $1.1 million for 2008-2009. First-year megawatt-hour (MWh) annual savings are expected to increase from about 770 MWh for 2006-2007 to about 7,121 MWh for 2008-2009.

Schedule No. 155 – Irrigation Energy Savers

The only change proposed to Schedule No. 155 is removal of the "funding availability" language. Irrigation equipment exchange has been available since spring 2006 and PacifiCorp says it is the most popular measure in the Irrigation Energy Savers program. The Company says customers are now primarily interested in system upgrades, including the installation of variable frequency drives on pumps. Based on the program focus moving from an equipment exchange approach to an analysis-based approach, the Company is seeking proposals for program administration to help ensure that program delivery is done by an administrator with the best combination of competitive pricing and experience in irrigation and electric energy efficiency.

PacifiCorp's expenses for this program totaled to about $521,000 for 2006-2007 and they are expected to increase to about $1.3 million for 2008-2009. First-year megawatt-hour (MWh) annual savings are expected to increase from about 4,533 MWh for 2006-2007 to about 5,294 MWh for 2008-2009.

Schedule No. 115 – FinAnswer Express

The FinAnswer Express program's prescriptive incentives for common energy efficiency measures has been available to Idaho business customers since January 2006. PacifiCorp says the changes proposed in this filing are based on proven program design and delivery experience in other jurisdictions and are designed to increase participation using the best available data on market costs and appropriate incentive levels. The changes: (1) add new measures eligible for prescriptive incentives; (2) add a separate incentive table for lighting retrofits and new construction/major renovation, and (3) revise some delivery mechanisms, including moving incentives from point of purchase to post-purchase applications for both premium efficiency motors and lighting for new construction and major renovation. In addition, incentive caps will be applied to projects rather than to individual measures. Details of the FinAnswer Express changes are in Attachment 5 of the Application and the analysis supporting the changes is in Attachment 7.

The Application states that FinAnswer Express was designed as a complement to the Energy FinAnswer program that it operates in other states, but which it was unable to implement in Idaho due to funding limitations. As a result, the Company says that customer requests for services provided under the FinAnswer Express, the only non-irrigation commercial program, have exceeded available funding and applicants are being placed on a waiting list.

PacifiCorp's expenses for this program totaled to about $345,000 for 2006-2007 but due to the new Energy FinAnswer program, they are expected to drop to about $242,000 for 2008-2009. First-year megawatt-hour (MWh) savings are expected to decrease from about 3,103 MWh for 2006-2007 to about793 MWh for 2008-2009.

DESCRIPTION OF NEW PROGRAM

Schedule No. 125 – Energy FinAnswer

PacifiCorp proposes to offer the Energy FinAnswer program to provide funding for energy engineering in addition to incentives of $0.12 per kilowatt-hour (kWh) for first-year energy savings and $50 per average monthly kilowatt (kW) demand savings, up to 50% of the approved project cost. The program is designed to target comprehensive projects requiring project-specific analysis and will operate as a complement to the FinAnswer Express prescriptive program. Details of the program are in Attachment 5 of the Application and the analysis supporting this new program is in Attachment 6.

A similar program was offered by PacifiCorp for 15 years under Schedules 120 and 122, but new participation in that program was ceased on January 12, 2006, due to funding limitations.

The Company says the Energy FinAnswer program is designed to increase new construction participation and early program involvement to capture lost opportunities. In addition to the improved customer incentives, other enhancements include design-team honorariums (finder fees for new projects) and design-team incentives for new construction projects exceeding the current Idaho energy code by at least 10%.

PacifiCorp estimates its costs for this program will total to about $1.1 million for 2008-2009 and the first year annual savings for 2008 and 2009 combined at about 4,076 MWh.

TARIFFS BEING CANCELLED

Schedule Nos. 120 and 122 – Commercial Energy Services

The schedules for loan-based commercial energy efficiency were closed to new service with the 2006 filing, but remained as approved schedules to administer existing loans. The Application cancels these schedules.

ENERGY EFFICIENCY PROGRAMS NOT CHANGED BY THIS FILING

Schedule No. 117 – Refrigerator Recycling

This program was modified in June 2007 in recognition of changing estimates and circumstances. PacifiCorp's expenses for this program totaled to about $266,000 for 2006-2007 and they are expected to increase to about $535,000 for 2008-2009. First-year megawatt-hour (MWh) savings are expected to increase from about 1,315 MWh for 2006-2007 to about 4,198 MWh for 2008-2009.

Schedule No. 121 – Low-Income Weatherization Services

This program has been in place for 15 years and changes were last made in April 2007. PacifiCorp's expenses for this program totaled to about $246,000 for 2006-2007 and they are expected to increase to about $300,000 for 2008-2009. First-year megawatt-hour (MWh) savings are expected to decrease from about 538 MWh for 2006-2007 to about 466 MWh for 2008-2009.

Schedule Nos. 72 and 72A – Irrigation Load Control Credit Rider

This program was enhanced per the agreement reached in the Company's general rate case approved by the Commission in Case No. PAC-E-07-05. Additional modifications were proposed in Tariff Advice No. 08-01 and approved by the Commission on February 11, 2008. Changes included new incentive levels, reduction in maximum dispatch hours, increase in dispatch duration, and revision of the minimum pump size.

PacifiCorp's Schedule 191 funded expenses for this program totaled to about $1.2 million for 2006-2007 and they are expected to increase to about $4.1 million for 2008-2009. The Company's expenses includable in base rates for this program totaled to about $2.7 million for 2006-2007 and they are expected to increase to about $9.5 million for 2008-2009. Peak load savings are expected to increase from 50 MW in 2006 and 2007 to 150 MW in 2008 and 200 MW in 2009.

Northwest Energy Efficiency Alliance (NEEA)

For over 10 years PacifiCorp has actively participated with other utilities in the Northwest Energy Efficiency Alliance's (NEEA) efforts to more effectively transform energy efficiency markets. PacifiCorp's $360,534 annual funding share of NEEA's $20+ million budget for the Company's Idaho operations is specified in a multi-year contract. This annual amount is paid from Schedule 191's balancing account. It is shown as $720,000 for 2006-2007 and for 2008-2009 on Attachment C.

NEEA estimates that its first year annual energy savings for PacifiCorp's Idaho service area at about 11,000 MWh based on PacifiCorp's Idaho funding share of total NEEA savings.

Monsanto's Special Contract Interruptible Rate

Although Monsanto's special contract, interruptible service rate is not affected by the Application and is not funded by Schedule 191, it deserves to be mentioned in these comments as being one of PacifiCorp's demand-side management tools available to meet its system peak load. The ability of PacifiCorp to interrupt this 150-plus MW load when necessary or economical provides reliability and economic benefits to all of PacifiCorp's customers and Monsanto is compensated by having lower rates than it would otherwise have.

COST-EFFECTIVENESS OF PACIFICORP'S PROGRAMS

PacifiCorp informed Staff that it follows the 2001 version of the California Standard Practice Manual[1] for estimating and evaluating the cost-effectiveness of its programs. Under these guidelines, the Application's Attachment 2 preliminarily represents that all of the programs listed were cost-effective in 2007 from the total resource cost (TRC) perspective, the program administrator (utility cost test, UCT)[2] perspective, and the participant perspective. As is usually expected, none of the programs listed in Attachment 2 passed the rate impact (RIM) test.[3] Staff notes that the Company's 2007 Annual Demand Side Management Report, filed on March 17, 2008, indicates slightly better overall results for 2007 than the preliminary results shown in Attachment 2. Attachment 4 indicates all of the listed current and proposed programs for 2008-2009 are expected to be similarly cost-effective. Both the Company's 2007 Idaho Irrigation Load Control Report dated 12/18/07 and the 2007 Annual DSM Report indicate that that program passes all relevant cost-effectiveness tests, including the RIM test.

CUSTOMER COMMENTS

The Application included the requisite customer notice and press release. Both documents met the requirements of Rule 102, Notices to Customers of Proposed changes in Rates in the Utility Customer Information Rules (UCIR), IDAPA 31.21.02102. The Company included the customer notice with billing statements beginning February 25, 2008, continuing for approximately 30 days until all customers received the notice.

As of April 23, 2008, four Rocky Mountain Power customers had submitted comments on the Application. All four said the Commission should not approve the proposed rate increase to fund more energy efficiency efforts. Commentators said the Company should work to improve efficiency of its product without charging customers; efficiency program costs should be funded from Company profits and/or only by those who participate in the programs; that rates have

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[1] Although the California Manual is a good, commonly used tool for evaluating DSM cost-effectiveness, the Staff has notified representatives of all Idaho utilities of a potential disagreement with how tax credits are treated in the TRC formula. This has little impact, partly because Staff believes the UCT is the most important of the four standard tests.

[2] The UCT perspective actually indicates the cost-effectiveness of utility programs for customers as a whole, since they eventually pay the utility's costs.

[3] The RIM perspective indicates only if rates will increase or decrease as a result of DSM program costs and the utility's fixed cost losses. The Idaho Commission rejected passing this test as a requirement for DSM programs in Order No. 22299 issued in 1989. Still, it provides useful information to compare different programs and options.

already increased enough to be a hardship and are high enough to encourage conservation; and that the commentators have already funded their own efficiency improvements, so why should they help pay for everyone else's. A representative of Agrium-Nuwest said that due to the way the program is structured, that customer is not able to get much benefit from the program.

Staff appreciates these comments and acknowledges that additional rate increases create hardships for some customers and are not welcome by any. Nevertheless, Staff believes expansion of demand-side management (DSM) programs will ultimately reduce customers' bills below what they would otherwise be absent such programs. While it is true that customers who are able and willing to participate in the programs will benefit more than those who don't participate, the latter group will also benefit indirectly from the Company's power supply costs being lower than they otherwise would be. It is Staff's understanding that PacifiCorp has demonstrated to the representative of Agrium-Nuwest that that customer is already receiving more efficiency benefits than it has paid in efficiency costs and that it may be eligible for additional cost effective efficiency support with the expansion of the programs and their funding.

STAFF ANALYSIS

Staff supported PacifiCorp's initiation of its customer services efficiency rate and programs in Case No. PAC-E-05-10 and continues to do so now. Staff recognizes that another rate increase, even this relatively small 2.22% increase, will be difficult for some customers to endure. However, Staff is also well aware that even more expensive supply-side alternatives can and will be avoided to the extent that more customers use electricity more efficiently.

Attachment A depicts PacifiCorp's projected system-wide energy demand from 2008 to 2017, the existing resources that are available to meet that demand, and the resulting significant resource deficit. Clearly the Company will need additional resources in the near future. Attachment B lists resource options identified by PacifiCorp to meet its increasing load. Demand-side management (DSM), including energy efficiency programs and load management programs, is a significant, albeit insufficient, resource available to help ensure reasonable system reliability.

The least costly electricity resource alternative is customers increasing the efficiencies of, and efficient use of, their buildings, appliances, lights, irrigation systems, and industrial processes without utility intervention and administration. Staff believes the second least costly electricity resource is available when utilities or other entities prudently administer cost-effective programs that provide monetary incentives and educational opportunities for customers to increase their efficiencies. The most expensive electricity resources are additional generation, transmission and distribution facilities, regardless of whether the generation facilities are thermal, hydro, wind, solar, or other alternatives.

It is evident that most customers, left on their own, do not use electricity as efficiently as rational economic theory suggests they should, probably due to a combination of lack of knowledge and a perceived need for inordinately high implicit discount rates, i.e. individuals and businesses often, if not usually, require assurance that rates of return for energy efficiency investments are much higher than for competing, alternative investments. The need for unusually high rates of return for energy efficiency investments may be due to a skewed perception of risk, misinformation, and/or other factors. Whatever the reasons, the result is that PacifiCorp's own analyses, as well as regional and national analyses, show that there remain many efficiency programs that utilities or other entities can administer cost-effectively. Even though such administration creates additional costs, the programs can be cost-effective because the cash incentives and/or educational efforts result in many customers improving their energy efficiencies beyond what they would do without such programs. If prudently managed, these programs are expected to be less costly than currently available supply-side resources.

The top portion of Attachment C lists each program's costs and the savings that PacifiCorp contends each achieved for 2006 through 2007 and what the Company expects each program to cost and achieve in savings for 2008 through 2009. These costs and savings exclude those of Monsanto's interruptible special contract rates.

The bottom portion of Attachment C compares each customer class's expected 44-month Schedule 191 revenue contributions to Schedule 191 program funding and electricity savings. Although complicated by Irrigation Load Control's peak MW reduction goal and the exclusion of more than half of its costs that are included in base rates, the comparisons do suggest that no major customer classes are being disproportionately advantaged or disadvantaged by the distribution of the programs' energy savings.

Staff has reviewed the Application's proposed program addition, changes and funding level requirement and believes they are reasonable. Staff has also reviewed the Company's program cost-effectiveness results provided in the Application, in the Company's 2006 and 2007

Annual Reports, and in the Company's responses to information requests. The Staff has not been provided all of the information necessary to verify the cost-effectiveness results and estimates and it is not necessary to have all such information at this time. Instead, when reviews of program processes and results are required for a prudency determination during future rate cases, all necessary information is expected to be made available.

RECOMMENDATION

Staff recommends approval of the Schedule 191 rate increase from 1.5% of total bills to 3.72% of total bills as well approval of all other proposed tariff additions and changes necessary to implement the new Energy FinAnswer program and changes to other programs.

Respectfully submitted this 24th day of April 2008.

Scott Woodbury
Deputy Attorney General

Technical Staff: Lynn Anderson
Nancy Hylton

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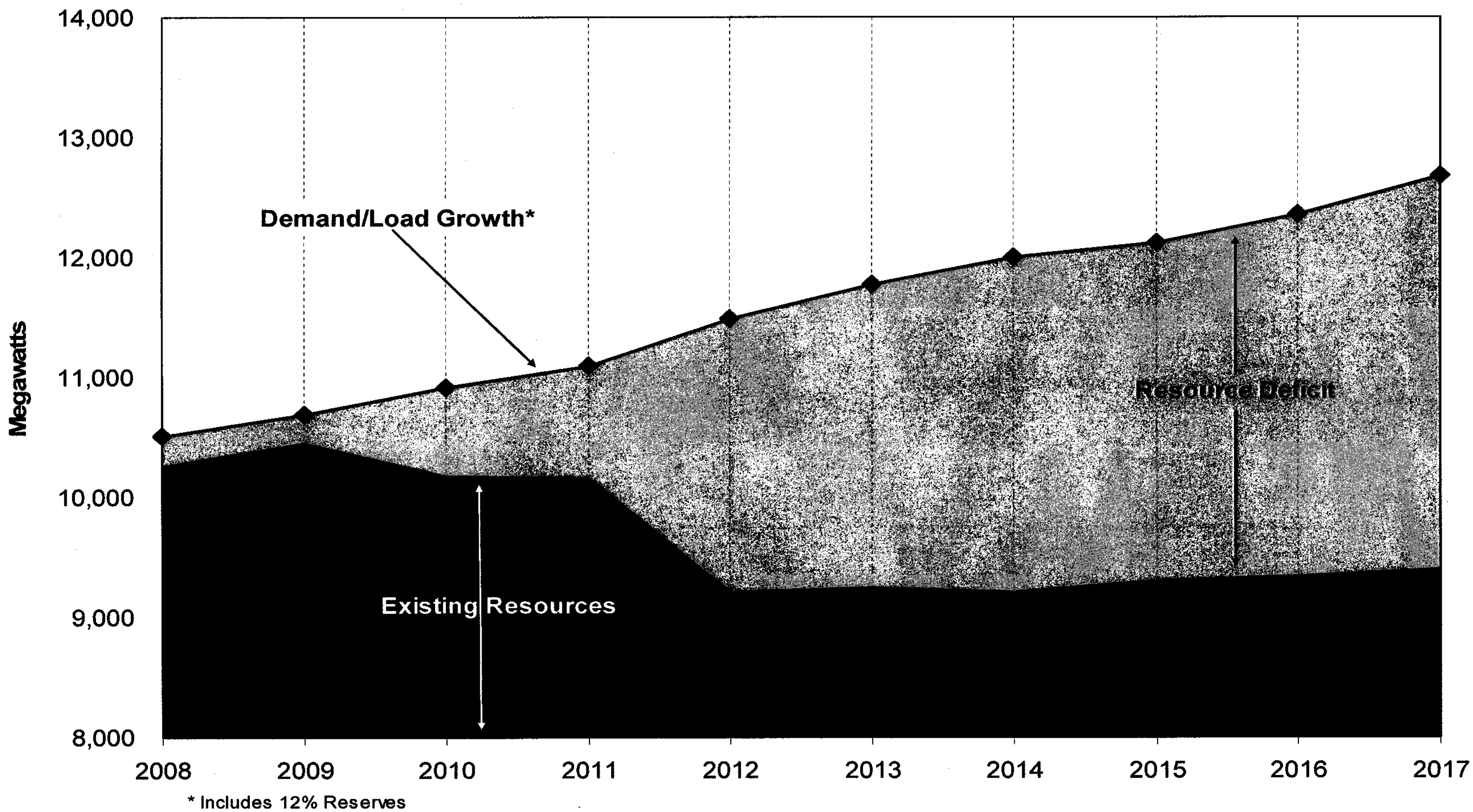
Resource Update - System Resource Deficit

- Existing PacifiCorp Energy resources are insufficient to meet planned demand/load growth obligations between 2008 - 2017



ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

Attachment A
Case No. PAC-E-08-1
Staff Comments
04/24/08

How PacifiCorp's Growth Will Be Met

- The 2007 Integrated Resource Plan identified a need for 3,171 MW of additional resources by summer 2016.
  - This requirement is expected to be met through a combination of demand management and energy efficiency programs, renewable resources, upgrades to existing facilities, wholesale power purchases, and construction or purchase of new gas-fired resources.

- Identified Resource Options
  - Renewable resources
    - 2,000 megawatts (nameplate) by 2013, including Blundell geothermal expansion 2010
  - Demand-side management
    - Energy Efficiency - 4,600,000 MWh from 2008 to 2017
    - Load Management - 272 megawatts of direct load control by 2012
  - Upgrading existing generation
    - 202 megawatts of turbine upgrades to existing coal resources; adds capacity without increasing CO_2 emissions
  - Power Purchases
    - Up to 800 megawatts in the west; 400 megawatts at COB and 400 megawatts at Mid-Columbia
    - Up to 800 megawatts in the east; 200 megawatts at Mona and 600 megawatts at Mead (beginning in 2013)
  - Gas-fired resources
    - 1,100 megawatts in 2012

Attachment B
Case No. PAC-E-08-1
Staff Comments
04/24/08

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